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THE ORGANISATION AND MANAGEMENT OF TAX DEPARTMENTS FOR IMPROVED ADMINISTRATION OF TAXES

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INTRODUCTION

1. "We know of no stronger impetus to administrative reform or change than clear, objective evidence of poor performance in a significant output area".1/ Expressed differently, the quotation conotes a basic assumption that pressure for change results from the identification of a performance or output gap that is usually valued by organisational decision-makers.2/ Within the framework of the strategies for organisational change or improvement, it is important to focus greater attention on what the desired change should achieve. In the forefront, therefore, should be the following three basic questions before the process of change is started; what is the reason for change in the organisation? What changes ought to be brought about? and What is the effective process of bringing about the change or how should the change be effected?

2. In addressing these questions, it should always be borne in mind that amongst the top group of decision-makers there may be conflict of opinions as to the answers to these questions with some expressing almost total reservations as to change itself. For example, the pessimists might hold the view that change or any new development is quite a difficult task; whereas the optimists might express the view that change is difficult to bring about, but, nonetheless, it could be accomplished. The solution to this contradiction is perhaps that difficult tasks can only be achieved with a complex approach.

3. After the reason for the new development in the existing organisation has been established, the planners or decision-makers ought to determine what part of the organisation requires change (for example, internal mechanisms including managerial functions, structures, environments, inputs or resources etc). The factors behind the performance and output gap can then, be traced to one or more of these variables. Within the framework of the organisation, the emphasis will be on restructuring, though structural changes will often have a bearing upon other internal processes and personnel management. As regards how change can be effected, it is important for the decision-maker to establish the appropriate intervention level, tactics, resources for change, and the data collection machinery. However, it is generally advisable to embrace multiple intervention levels thus paving the path to the multidisciplinary approach to reflect the inter-twinness of the components of an organisational system.

1/ David K. Leonard, 1977 Reaching the Peasant Farmer: Organisation Theory and Practice in Kenya (Chicago: University of Chicago Press)

2/ Gerald Zaltman, Robert Duncan and Jonny Holbek, 1973, Innovations and Organisations (New York: Wiley) pp.55-58

4. The above brief exposition leads to the question why in general within the African framework, organisations should be reviewed and better understood; and why, in particular, the organisation and management of income tax offices of African countries should be reviewed and better understood. The truism that most people spend their lives working in and interacting with formal organisations of one kind or another, makes it vital that they knew something about formal organisations. This truism does not apply with as much force in most African countries as it does in the industrialized nations. Despite the drift to the towns, most Africans can still be classified as rural-based. Of course, formal organisations like schools, churches, hospitals farm co-operations etc. do exist in rural areas, but they are fewer in number, and less diverse, than those found in the urban centres.3/ However, with the rapid growth of the urban population in African countries, organisations in Africa, are increasingly bearing the brunt of expanding urban population and thus necessitating that organisation should function effectively and provide humane environments. The improvement of formal organisations and the enhanced level of appreciation and understanding thereof by the peoples will greatly contribute to increasing the organisations' effectiveness, efficiency and the volume of outputs.

5. Regarding in particular, the review of the organisation of the Income Tax Offices of African countries and the use of modern management techniques within such offices, the reason for that can be traced in the gap between the domestic financial resources requirement and the increasing volume of the socio-economic activities of the African governments. Indeed, the prospect of sharp constraints on the ability of the governments of African developing countries to expand tax revenue collection highlights the need to probe into the measures that can be improved in order to enhance the administrative capabilities of the income tax offices of these countries for better mobilization of the domestic financial resources and effective enforcement. Also the ever expanding taxpayer growth with increased workload for the tax offices, in the face of orthodox organisational designs and acute shortages of qualified personnel calls for relentless effort to reorganize and redesign the existing tax administration structures in order to produce the most efficient organisational system that will provide clear lines of authority, responsibility, manageable spans of control, eliminate rendundancy and bring about greater accountability to the tax administration officials.

3/ Peter Blunt: Organisational Theory and Behaviour: An African Perspective Longman Inc. New York, USA.

6. Whilst tax planners can formulate appropriate tax policies and design good tax systems, the implementation of these tax policies requires effective tax administrations and the tower of strength for any tax administration for its organisational structure. The role of the individuals and groups within the administration, takes its power from its organisational design. In this context, the discussion of the organisation and management of the Income Tax Office postulates the type of the organisational structure of the Income Tax Office that is most conducive to the efficient use of all the available resources and thus creating a climate for effective tax administration.

7. Indeed, changes in the African continent are on the enormous increase. They are more varied and probably occur more quickly than anywhere else in the world in response to Africa's crisis situation. In the field of taxation, the changes pose considerable challenge to the organisational and managerial adaptation and survival of the income tax offices. In the majority of African societies where colonial control has existed for many years, institutional hybrids have resulted which are far from adequate to comprehensively encompass the overall qualities of appropriately structured tax offices. It is high time that the organisational life of those institutional hybrids was reviewed to enable the decision-making gain knowledge not only on which structures are most appropriate for which conditions, but also on how best to change such institutions in the appropriate direction. This is, of course, a complex problem which involves issues of motivation for change, levels at which interventions should occur, combination of tactics which work best, level of resources needed and methods of data collection. In the words of Hage and Finsterbusch, 1987, "changing organisations in developing countries is a complex task and requires a multifaceted and carefully articulated approach".4/ In the words of Knudson Woodworth and Bell 1973, 'one of the difficulties that a manager often has in situations involving change is that he finds it difficult to get a "handle" on the situation facing him. The problems - even those that seem to be relatively simple - sometimes become quite complex with a variety of interrelated variables.5/ However, inspite of all the complex situation facing an action-oriented decision-maker or manager, it would be desirable for such leadership agents to set themselves objectives to familiarize themselves with the framework that would be useful in dealing with the problems of changing to systematically develop an approach to change and to provide an opportunity to develop an action for change.

4/ Jerald Hage and Kurt Finsterbusch: Organisational Change As a Development Strategy: Models and Tactics for Improving Third world Organisations: Studies in Development Management: Published by Lynne Reinner Publishers. Boulder and London p.3.

5/ Harry R. Knudson, Robert T. Woodworth, and Cecil H. Bell: Management An Experimental Approach. Graduate School of Business Administration, University of Washington, McGraw - Hill Book Company, New York.

8. The objective of this study is therefore, to review the organisation and management of an Income Tax Office in selected African countries, relate their experiences to those of advanced countries and make suggestions on ways and means of improving the organisation and management of Income Tax Office for improved administration of taxes. The study is developed into four sections: Section I deals with the basic concepts of the theme, in general, and in particular within the framework of the objectives of the Income Tax Departments which are basically the strict application of the tax laws to achieve maximum collection at minimum cost, and the promotion of voluntary compliance. Section II discusses the experiences of advanced countries in the organisation and management of their tax departments focussing attention on particular areas of importance. Section III deals with the structures of the tax departments of African countries and their experiences in the organisation and management of the tax departments, and examines their shortcomings and constraints that contribute to the shortcomings. Section IV emphasizes the case for improvement in organisation and management of Income Tax Offices in African countries and makes suggestions on ways and means to improve the organisation and management of the Income Tax Offices for improved tax administration.

Section I: The Basic Concept and Role of Organisation and Management of a Tax Department

9. The term 'organisation' has been described in various ways of which a few can be mentioned. Organisation has been termed (Mooney 1939), as 'the formal side of administration, likewise, the machinery of administration, the channel through which the measures and policies of administration become effective. It is a framework of every group moving toward a common objective.6/ In another form, organisation has been defined (Hage and Kurt 1987), as 'a social collective which has existed for at least five years, including at least ten paid employees who work largely full time throughout the year, use essentially the same core technology, and are arranged in a variety of prescribed positions designed to achieve some specific collective output('s).7/ This definition has a number of elements which together, seem to put a requirement to determine at what point an organisation materializes and organisational theory becomes applicable.

6/ James D. Mooney, The Principles of Organisation. Published by Harper and Brothers Publishers, New York and London, 1939.

7/ See Jerald Hage and Kurt Finsterbusch, 1987, op.cit. p.11

10. This requirement has a number of practical implications, for example, in development administration, the number of ten employees matters since in most Third World, countries where most businesses employ less than ten employees would mean that they are small collectives which operate more on kinship and group principles and consequently, the principles of organisational change theory do not apply. Size also counts, because as it increases, the organisation is subdivided into departments and eventually into Divisions. More can be said to justify the other elements. It is interesting to note that these elements prevail in the Income Tax Offices and hence the organisation thereof (Income Tax Offices) can be freely discussed. Lastly, in sociology, too, organisation has been defined as 'social systems that are explicitly designed to achieve specific goals'. All, the aforementioned definitions convey the same message, namely, that of commoness of purpose which is to achieve specific goals and objectives.

11. Organisation, therefore, is one of the key instruments of administration. This is even so, because management can only fully utilize the potential capacities of its human resources if everybody were organized in such a way that they effectively belonged to one or more functioning groups that had a high level of group loyalty, effective mix of skills and high performance aims. Organisation, if appropriate, allows for a strong commitment by every one to fulfill the goals which they set for themselves. As a result, the major purpose of any organisation as an instrument for administration, is to divide the responsibilities into clearly defined duties which can be handled by individuals or at least by the organisational units; with expidiency being the basic criterion. The responsibility is divided mainly into the objectives which largely take into account the economy and performance in turn, takes into account planning and implimentation. Indeed some measure of success with which economic resources are utilized lies at the heart of a meaningful indicator of economic performance.

12. Any reorganisation of a tax department should be viewed against its relationship with the other government agencies, particularly the ministry with which it has close relationship and which may have responsibility over it. In other words, a distinction should be made between a tax department that is completely independent and autonomous and the one that is responsible to a particular ministry. The distinction will help to assess the degree to which the organisational life of the two departments can be changed and the degree of external intervention. For example, an autonomous tax department might have a wider scope for organisational change with minimum external interventions while a constrained tax department might have a limited scope for organisational change with maximum external intervention; so that it is confined to internal organisational change including creation of organisational units, creation of sections, distribution of duties among these, the regulation of working processes co-ordination of the various parts of the administration and creation of district

offices to decentralize the services of the administration. But conflict will normally ensure where the organisational change affects the power and the authority of the ministry to which the tax department is responsible, for example, where change involves upward organisational expansion. So that to talk of organisational change for greater efficiency in administration, may well be to talk of a revolutionary change curtailing or severing the power and authority of the ministry over the department. Yet in an autonomous situation or climate it is readily feasible to effectively organise the tax department at all levels and to develop a host of different administrative organs to comprise the whole range of administrative compentences.

13. Within the objectives of a tax office mentioned earlier, the most essential programmes for successful administration of taxes to achieve those objectives include the human resource management, the financial resources management, the material resources management, electronic data processing, security, management information services, tax policy monitoring and advice and the audit network. The human resource management is of particular importance, because, in essence, the human resources constitute a major element of the tax base. The efficient management of these programmes augurs well for enhanced overall administrative efficiency, which, in the realm of taxation, is key to increased revenue collection. Complementary to the programmes mentioned above, is the taxpayer service whose primary purpose it is to assist instruct and educate taxpayers through various channels of which commonest, in use, include written guides to taxpayers, simplified or modified tax forms, circulars, bulletins, public appearances, press media, radio broadcast and volunteer service from the people and agencies outside the confines of the tax office but who possess adequate useful tax knowledge to share with the taxpaying propulace. Other external factors which influence the success of a tax office in achieving its goals include articulate assessment of the functions of the tax office in respect of the organisational suitability of the tax office to discharge them against the background of feasibility, simplicity and the availability of infrastructures and other ingridients with which the tax office can carry out its functions.

14. The programmes and the ingridients (tangible or intangible) which are the vihicles for effective tax administration, do cnstitute the fundamental criteria for developing an organisational structure conducive to administrative efficiency within a given environment. The important part to note, therefore, is that organisation, as an instrument for effective administration of a tax office requires to be soundly based on thorough information and knowledge of the ingridients and the programmes at play both from within and from outside the ambits of the tax office. The idea is not that the tax office should provide external organisational units to monitor its overall organisational culture, but rather the creation, within the organisational structure, of satellite organisational units that will gather remote external information and detect certain influencial external forces and to provide regular and up-to-date information to the headquarters of the tax administration to be used for the continuous improvement of the tax administration at all levels.

15. A dynamic organisational life of a tax office is necessary to enable the tax office to cope with the growing challenges of the rapidly changing socio-economic environments. The tax office in every country deals with the entire spectrum of socio-economic activities of varying complexities. As the industrial/business sector growth rapidly expands, new situations emerge with implications on tax legislations as well as on general tax administration. New tax laws may have to be introduced, requiring new administrative procedures and regulations, new branches or sections, additional manpower with resultant training problems, need for new infrastructure and consequently, the need for an overall restructuring of the organisation; a tangible change in one area may trigger a momentum for change(s) in other areas. Indeed in the past two decades, formulation of significant tax changes, both in developed and developing countries, have taken place. The changes known commonly as "Tax Reforms", by and large, aim at providing increased revenue to the governments and, at times, their purpose is to achieve certain goals relating to socio-economic challenges. In this sense, the tax administration is viewed as a mechanism that ultimately determines the success or failure of the significant portion of not only the fiscal policy but also the economic policy of the government. Without a constant reorganisation of tax administration, without a daily improvement of management methods, it will be extremely hard for any tax reforms to be constructive and feasible.

16. It is therefore, of primary importance that the organisation of a tax office requires to be constantly reviewed, in general against the background of the trends in socio-economic changes in a country and in particular against the actual rapid annual growth of taxpayers and the expanding volume of other tax transactions attracting the attention of the tax administration including the problems posed by the evolution of the taxation systems themselves as new taxes emerge, new tax incentives schemes introduced and new tax evasion measures developed. All these factors will determine the type of organisation to be adopted reflecting, as it were, the manner considered most appropriate and convinient for the tax office to carry out the various functions assigned to it. However, it may be useful, to sound a word of caution about reorganisation. Reorganisational desire should not be guided by a desire to maintain or even enhance certain levels of the salary and other job-related status quo. Reorganisation should not be geared towards increasing the number of top management or even the executive levels (i.e. creation of some sort of top-heavy organisational chart, in the name of increased supervisory role due to ever increasing complexities and the responsibilities of the jobs). The pursuit of personal gains through reorganisational tactics inevitably results to the displacement of efficiency and effective goals of organisation; since in reality, these are then given only secondary consideration. If reorganisation is to bring about improved performance, it ought to be based on the premise that more must be done to develop and utilize the talent and real expertise rather than to couple personal benefits with the interests of the public; so that, in essence, the public does not benefit out of the benevolence or effectiveness of the organisational life of the administration perrse, but out of the sheer regard of the personal interests of those at the top of the hierarchy.

17. In pursuit of its goals and objectives, the tax office, in general, may be organised in the following way.

(a) The tax office may be organised by functions or taxes. In other words the organisation may be established on the basis of the functions of the tax office distinguishing between the external and internal functions, or the organisation may be on the basis of the major types of taxes, in which case the tax office is organised into offices each of which administering particular taxes.

(b) The tax office may also be organised on the basis of consolidation or breakdown of function. For example, where, for particular reasons, certain functions, say collections are assigned to an office different from the office in charge of assessment work together with general administrative work.

(c) The tax office may also be organised to take into account the geographical structure of the country. For example, countries with great territorial extentions, may consider decentralized organisational structure. Whether decentralisation should obtain at the decision-making level, remains and open issue, but, generally, in practice it will occur in almost all the operational levels. There are other forms on which the organisation may be based. These are but the highlights.

18. In conclusion, mention can be made of the fact that, in practice, not everyone subscribes to the belief that reorganisation is a cure-all for management problems or that it is a key cost-saving measure. Nonetheless, it can be argued that certain benefits do derive from a quest for knowledge on how structured bureaucratic functions are accomplished. When considering reorganisation, focuss should not be confined to rearranging blocks on *organisational chart but the* focuss should be extended to cover the alteration of human behavior and the threshhold of organisational realignment. Failure to do that may lead to the resurfacing of old behavior patterns of bureaucrats with the concommitant barriers to efficiency and effectiveness of the administration

Section II: The Experiences of Selected Advanced Countries in the Organisation and Management of an Income Tax Office

19. In principle, tax administration, globally, share common objectives. The activity of the tax administration mainly the achievement of specific fiscal policy objectives, and the actual and timely collection of taxes and duties, is based on a body of tax laws which it should administer. Any tax administration, therefore, aims to maximize the collection of legally determined taxes, to correctly apply the tax laws, to promote incentive schemes, to discourage violations and to promote voluntary

compliance. However, the degree of the evolution of tax systems in different countries, has had a marked bearing on the types of the organisational structures and the administrative procedures and practices obtaining in those countries. The organisational structures and administrative procedures and practices differ from country to country depending upon the environment in which the tax systems operate or the level of sophistication of the tax system in operation. For example, the dynamic evolution of tax legislation in the American countries in the past 25 years, has determined the need of tax administrations to adapt to a changing and complex environment though not without much difficulties, of course, since the tax changes have not taken into account the tax administration's capability to handle them.8/ The problem particularly in most developing countries, is that the evolution of the tax system does not usually have a corresponding reorganisation of the tax administration for the simple reason that the evolution or changes in the tax legislation are applied without distinctly or vividly defined participatory role of the tax administration to control the effectiveness of the new changes. It is only when the evolved tax systems begin to misfire and their weaknesses show up that initiatives for reorganisation start, inevitably in an ad hoc manner. It is in this sphere that most African tax administrations have been caught.

20. Below is presented in descriptive form the experiences in organisation of tax administrations of large and advanced countries with complex structures, for example, the United States, Canada and Mexico where annual collections range between ten billion and 743 billion US dollars, annual returns are between 9 and 178 million with a staff ranging between 20,000 and 97,000. Likewise other experience(s) of other countries which are of intermediate level (Argentina) will be presented.

The United States

21. The government structure of the United States is a federal one consisting of federal, State and municipal levels. Each government level has its own taxation system and its own tax administration. The States operate mainly the income and sales taxes and the municipalities apply the teritorial tax. Transfers or subsidies usually flow from the federal government to the states and municipalities. The

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8/ Study of the Organisation of Tax Administration in the Member Countries of Inter-American Center of Tax Administration, 1987-1988. Issued by C.I.A.T. Executive Secretariat, Apartado 2129, Panama 9A, Panama, June 1988.

States operate mainly the income and sales taxes and the municipalities apply the teritorial tax. Transfers or subsidies usually flow from the federal government to the states and municipalities. The administration of the federal taxes is the responsibility of the Treasury Department which has two offices to carry out the task. The two offices are the Internal Revenue Services (IRS) which administers internal taxes and the Bureau of Customs which is responsible for customs duties. The Internal Revenue Services is a functional-type organisation with operational functions being decentralized at the local level and carried out by Regional and district offices but other functions particularly as relate to the strict interpretation of the tax laws are centralized at the national office in Washington.

22. The recent study on the organisation of tax administration in the United States reveals that, the Internal Revenue Service was reorganised on August 30, 1987. It is headed by a commissioner who is assisted by a Senior Deputy Commissioner and directly subordinate to the Deputy are two Deputy Commissioners one in operations and the other in planning and Resources. The Senior Deputy Commissioner is also the Chief of operational functions with the service and, at the same time, he is the top level advisor to the Commissioner in these matters. The Commissioner and the Senior Deputy Commissioner have a staff of assistants that cover the public and legislative areas. There is an assistant commissioner (inspection) who is directly subordinate to the senior Deputy Commissioner and is responsible for the Internal Audit and Internal Security Divisions. At the regional level, he supervises (7) Regional Inspectors. There is also a chief counsel who is directly subordinate to the secretary of the Treasury. He is chief legal officer for the IRS and, as a result, is responsible for all technical rulings or appeals matters, although the commissioner makes final decisions on these issues. The chief counsel serves as a member of the Commissioner's executive staff and as counsel and legal advisor to the commissioner on all matters pertaining to the administration and enforcement of the tax laws. He is assisted by two Deputy Chief Counsel, management and operations; and policy and legal programmes respectively. At the national level, there are seven Regional Counsels.

23. The Internal Revenue Service organisation chart operates at two levels of organisation and task. The two levels are the national and regional levels. At the national level, there is the national office in Washington, which formulates national policies and programmes, over and above directing, coordinating, guiding and controlling all the services activities. The Deputy Commissioners (operations) and (Planning and Resources) coordinate the activities of the assistant commissioners and give continuity to the development of the services policies and also supervise and control its activities.

24. The Deputy Commissioner (operations) provides the main advisory services in all matters relative to planning and execution of field operations. At the regional level, subordinate to him, are seven regional commissioners and at the national level there are six subordinate assistant commissioners in charge of Criminal Investigation, Examination, Collection, Employee Plans and exempt organisations, International and Taxpayer Service and Return processing. In the new organisation, the latter assistant commissioner was promoted to this category in order to give the necessary emphasis to taxpayer service activities. The Deputy Commissioner (Planning and Resources) supports all the Service's functions including the handling of human resources, financial and data processing resources. Under his responsibility are the Assistant Commissioners of Planning, Finance and Research, Human Resource Management and Support, Computer Services and Information System Development. At the regional level, and under the direction of the Deputy Commissioner (Operations) there is a field organisation formed by seven regions with maps clearly drawn up showing each region. Each region is headed by a Regional Commissioner, who, in turn, is responsible for the Service's Centers and District Offices according to his jurisidiction. There is a total of Ten Service Centers and sixty-three (63) District Offices (at least one in each State's capital). The Service Centers are headed by a Director whose mission it is to service all other internal Revenue Service Components by processing tax returns for their assigned areas. There is at least one Service Center in each one of the seven Regions. The District office is headed by a Director and it is in charge of activities relative to the administration of internal Revenue laws, which are carried out in accordance with the policies and programs of the National and Regional offices. Also at the Regional level, are the Regional Inspectors (a total of seven) who carry out the audit and internal security tasks and are directly subordinate to the Assistant Commissioner (Inspection) who, in turn, is subordinate to the Senior Deputy Commissioner. Seven regional counsels operate under the Chief Counsel. The regional counsel's office consists of Deputy Regional Counsel, Assistant Regional Counsel, the Regional Director of appeals and District Counsel.

25. The Assistant Commissioner (Planning, Finance and Research) has under his direction, the National Computer Center. The purpose of the Center is to assist in the analysis, design, development, testing and operation of automated data systems. It is responsible for the payroll, timekeeping and other data systems related to the Services Administration of personnel information. It also administers the master file operations of the tax administration system.

Canada

26. The Tax administration in Canada is under the responsibility of the Department on national Revenue, an entity at the ministerial level that is divided into two sectors; namely Taxation and Customs and Excise. Each of these sectors, under the minister of National Revenue, operates

in separate headquarters and has its own departmental organisation which is headed by an official with the rank of Deputy Minister. The office in charge of the Taxation sector is known as 'Revenue Canada Taxation' and administers certain national taxes (basically Individual and Corporate Income Tax). The office in charge of the customs and Excise sector is called 'Revenue Canada Customs and Excise' and administers sales, customs and specific manufacturing and excise taxes. At the national level, some of the responsibilities of Revenue Canada Taxation deal with the assessment and collection of Individual and Corporate Income Tax, except for the Province of Quebec which collects its own Individual and Corporate Income Tax, while the provinces of Alberta and Ontario collect their own corporate Income Tax. Revenue Canada Taxation also assesses and collects contributions to Canada Pension Plan (CPP), except for Quebec which has its own Pension Plan (Quebec Pension Plan). It also collects unemployment insurance premiums and administers the corresponding coverage as well as taxes provided by the Petroleum and Gas Revenue Act. Of significance to note is that, in Canada, tax policy is managed by the Department of Finance, while the Department of National Revenue administers tax laws passed by Parliament in answer to initiatives of the minister of Finance.

27. Revenue Canada Taxation consists of a Head Office with headquarters in Ottawa, four (4) regional offices, twenty-nine (29) district offices with five (5) sub-offices and seven (7) Taxation Centers. The head office develops the Departmental plans and policies and is the center of administrative decisions. It is headed by an official with the rank of Deputy Minister. There are also four (4) Assistant Deputy Ministers who direct four (4) basic branches of the five (5) into which Revenue Canada is divided. These are Legislative and Intergovernmental Affairs, Policy and systems, Management Services, and Communications and Corporate Development. The Appeals Branch operates as a General Directorate and is under the direct responsibility of a Director. The General Counsel comprising Justice Department of Legal Services is at the same hierachical level as Deputy Minister. Regarding regional offices, the country, for administrative purposes, is divided into four (4) areas with central office in each region responsible for operations. Each of these offices is headed by an Assistant Regional Deputy Minister directly responsible to the Deputy Minister.

28. The Regional Operations offices are assigned with functions which are oriented toward the impartial standard application of the departmental programs and policies according to the rules stipulated by the Head Office. The Regional operations offices are also responsible for coordinating the activities of the District offices and the Taxation Centres of their respective regions. In the case of District offices, they are twenty-nine (29) and five (5) sub-offices subordinated to the Regional Operation Offices. They carry out operational collection and verification programs and conduct all activities requiring direct communication with the taxpayers. They, therefore, form a major link between the Department of National Revenue and the taxpayers. Each

District office is headed by a Director who is in charge of four sections; namely, appeals, verification and collection, audit, administration and personnel management. As for the Taxation Centres, their main function is to process returns, send assessment notices to taxpayers and to store the files after completing return pocessing. They also handle taxpayer enquires and correspondence relative to files and assessment notices. Instalments by individual and corporate taxpayers, employers and non-residents are generally sent to these centres either directly or through the banks.

Mexico

29. Mexico is a representative federal republic, divided into 31 States and federal capital which is the headquarters of the federal government. Each State is divided into municipalities. The Secretariat of Finance and Public Credit as a dependency of the Federal Executive Body, is in charge of administering tax laws, among other responsibilities. To this end, the Secretariat's Internal Regulations which were amended on August 24, 1983, provides that the undersecretariat of Revenue will be in charge of administering internal taxes, while foreign trade taxes will be administered by the undersecretariat of Fiscal Inspection, wherein, the General Directorate of customs is found. In addition to administering internal taxes, the undersecretariat of revenue is in charge of proposing tax policy, as well as laws, regulations, decrees and agreements on Taxation. However, the general policy on tax incentives is determined by the Undersecretariat of Finance and Public Credit. It proposes, through the General Directorate of Tax Incentives, for approval by the Secretariat of Finance and Public Credit, the fiscal incentives policy. The organic structure of the undersecretariat of Revenue is of a functional nature. Three levels of authority may be distinguished for purposes of administrative decentralization which operates at the central level through the General Directorates at the Regional level through the Regional Tax Administrations, and at the local level, through the Federal Finance Offices.

30. The States administer their own resources and in addition, the federal value added tax which is of a national nature and for which the General Coordination with the Federative Entities was established as a counseling office of the Undersecretary of Revenue. The General Coordination with Federative Entities office and the Coordination of Administrative Operation office are located at the first level of the organisation. The first serves as liaisson between the federative entities and municipalities and the General Directorate of the Undersecretariat of Revenue and also formulates the fiscal coordination policy of the Federation and draft conventions, agreements and other legal provisions whereby the powers for collecting and administering certain Federal Taxes are delegated to the federative and municipal entities, in addition to counseling them with regard to the establishment of tax administration systems. The coordination of administrative operation office is in charge of the human, material and financial

resources of the central and administrative units. It counsels and supervises the implementation of systems, procedures and methods at Regional Fiscal Administrations in the areas under its responsibility. The National Tax Training Institute is subordinate to the coordination of Administrative Operation office as the entity in charge of directing, development and training activities for the Undersecretariat of Revenue Staff.

31. At the second level of the structure of the Undersecretariat of Revenue, there are five General Directorates, which in turn consists of directorates. These are:

- General Directorate of Revenue Policy
- General Directorate of Collection
- General Directorate of Revenue Informatics
- General Directorate of Examination
- General Technical Directorate of Revenue

32.(i) The General Directorate of Revenue Policy proposes the fiscal policy of the Federation and of the Federal District's Department; it studies and formulates bills and regulations with regard to federal fiscal matters; participates as previously mentioned, in the formulation of tax incentives policy, in addition to programming and preparing economic tax statistics.

(ii) The General Directorate of Collection formulates the policy, systems and procedures for collecting internal taxes as well as the activities and programmes of the Regional Tax Administrations and of the fiscal authorities of the coordinated federative entities in relation to the Federal Taxpayer File. It participates with the Federation's Treasury in designing the revenue collection systems of the Federal Finance Offices, and supervises the operation and execution of collection programmes in the Regional Tax Administrations.

(iii) The General Directorate of Revenue Informatics formulates the informatics policies, rules, programmes, systems and procedures of the administrative units of the Undersecretariat and the activities programmes of the Regional Tax Administrations and federative entities, with regard to federal revenues coordinated in accordance with the respective conventions and agreements. It also coordinates the operations of the Processing Centers of the Regional Tax Administrations and of the National Center which consolidates the information of the Regional Centers.

(iv) The General Directorate of Examination proposes the policy and programs for the review, audit and examination of returns and for complying with the fiscal provisions related to taxes and duties of a federal nature. It provides counseling and supervision in relation to the implementation of systems, procedures and methods in the Regional Tax Administrations in the area of its responsibility.

(v) The General Technical Directorate of Revenue organizes the activities of the Regional Tax Administrations as regards inquiries, taxpayer assistance, assessment extension and the application of fines. It also designs and approves such official forms as notices, returns, statements and other documents required by the fiscal provisions.

33. At the regional level, the Undersecretariat of Revenue decentralized its operational activities through the establishment of thirteen Regional Tax Administrations. Ten of these offices assist the 31 States according to their geographical distribution, while the three remaining offices operate in the Federal District. The Regional Tax Administrations are directly subordinate to the Undersecretariat of Revenue. The Regional Tax Administrator has two Departments at the first level of the structure, namely: the Programming and Internal Control; and the Administrative Resources Departments. At the second level there is the Administrative Coordination Office and five deputy administrations: Collections, Informatics, Examination, Technical and Internal Programming and Control. These Deputy Administrations are divided into Departments. The Federal Offices of Tax Administration, Finance, Sampling and Testing are found at the third level and are directly dependent on the Regional Tax Administrator. The Regional Tax Administrations are responsible for applying working policies, programs, systems, procedures and methods established by the administrative units at the central level in such areas as collections, federal taxpayer file, examination, data processing, tax assessment, and the application of fines. At the local level, these functions are carried out through the Federal Finance Offices that are classified as Main, Subordinate and Agencies within its jurisdiction and under the direction, supervision and evaluation of the Regional Tax Administrations.

34. The experience of a country which is by and large at an intermediate level (Argentina) both in terms of size and probably the volume of activities is now presented. The next chapter will, of course, deal with the experiences of the predominantly small countries with small taxpayer population as compared to the aforementioned countries.

Argentina

35. In Argentina, the General Directorate of taxation, which is under the general superintendency of the Secretariat of Finance of the Ministry of Economy is in charge of applying, collecting and examining internal taxes; while the Administration of Customs duties is assigned to the National Customs Administration. The general Directorate of Taxation under an amendment to "Tax Application, Collection and Verification Procedures ACT", was transformed into an autonomous entity as regards its organisation and operation with its own management entities, resources and control procedures. A document known as "Guidelines for the General Directorate of Taxation's Strategic Project and Reform of the Organic Structure" was approved in 1987, describing the strategic project of the General Directorate of Taxation and the anticipated administrative organisation that could ensure the achievement of the main objective of the project which was high index of voluntary payment. In this regards, the organisation uses verification and taxpayer assistance as key elements. The new administrative structure of the General Directorate of Taxation consists of four (4) levels, namely: Strategic Direction Level, Planning, Programming and control level operational level and support level.

36. Below is a brief description of the role each one of the four levels plays in the organisation:

(i) Strategic Direction Level: The General Directorate is responsible for this level, which is in charge of determining the organization's general policies, programmes and overall strategy. The functions of the General Directorate involve promoting the improvement of the Organization's image and maximum taxpayer voluntary compliance with his tax obligations and coordinating and supervising the development of all tasks of the Organization's entities.

(ii) Planning, Programming and Control Level: The Deputy General Directorate of Planning is in charge of this level of the administration. To this end, it consists of three Directorates: Directorate of Collection Plans, Systems and Procedures; Directorate of Studies; and Directorate of Data Processing. The functions of the administrative units at this level cover the preparation of plans and their control; definition and development of systems and procedures; the application of new tax collection techniques by the preparation of economic-fiscal studies; preparation of statistical reports and automated data processing. Information on management control is fed back to the Strategic Direction level, which in turn, allows for replanning and rescheduling in order to ensure achievement of the proposed goals.

(iii) Operational Level: the Deputy General Directorate of Operations is found at this level. It is responsible for the decentralized offices in charge of coordinating and controlling in their respective jurisdictions and all tasks relative to taxpayer compliance. At the operational level, general policies are transformed into specific programmes to be implemented. In this regard, the Deputy General Directorate of Operations is in charge of the application, collection, and examination of taxes in order to carry out these tasks. In addition to the aforementioned decentralized offices, it counts on the Directorates of Coordination of Collection Operations; Coordination of Examination Operations and Large National Taxpayers.

(iv) Support Level: The Deputy General Directorates of Administration and Legal Tax Affairs are found at this level which administers the resources of the Organization and provides support to the operational sectors. The Deputy Directorate of Legal Affairs is in charge of interpreting technical tax and legal regulations in order that these may be applied according to standard criteria. It also advises all entities of the organisation on legal and technical-tax matters.

37. Finally, as regards the relationship between the taxpayers and the tax administration, there is a Directorate of Institutional Relations, directly subordinate to the General Directorate of Taxation, which is responsible for all aspects relative to the institutional image, including the treasury-taxpayer relationships.

38. The brief descriptions of the patterns of the organisation of the tax administrations of the aforementioned countries reveal in general, the prevalence of a great sense of direction and purpose in the design of the organisational structures. For example, there is a general trend towards separate administration of taxes by type of taxes to take into account administrative simplicity, administrative feasibility, convenience to taxpayers and eradication of functional dupplications and redundancies. The description also gives the impression of deeper concern for honest and fair administration of taxes as public revenues through granting greater autonomy to the organisations and, indeed, in some countries (Canada) through institutionalizing the tax administration, for an example, at the ministerial hierachical level and at the Deputy Minister level (Mexico).

39. In addition to separate administration by types of taxes, there is also a marked functional organisation, that is, the organisation which is based on the various major functions of the Tax Administration. Another feature is that all the work is done by the Tax Administration to which it is assigned. For example, the assessment, collection of taxes and taxpayer service are all done by the single tax office without

much involvement of other networks like the banking and post office networks to assist in the collection machinery. The feature, therefore, in the main is one of unified organization, instead of the segregated one; though there may be cases of segregation in a lesser degree. For example, in some cases, there may be several units of the ministry of Finance charged with certain aspects of tax administration relating to collection enforcement. In most cases the size and volume of work of the aforementioned countries also suggests an almost inevitable decentralization of functions mostly at national, regional and local levels.

40. It is also notable that the data processing services is normally with the tax administrations of these countries as compared to most small tax administrations where either data processing service is not well developed or where it is, it is completely outside the tax administration. For example, where the computer services are provided by one government unit which services the entire government ministries and departments. As regards personnel development and management, the training activities and facilities are mostly carried out within the tax administration; that is, training offices are located within the tax administration to provide all the training necessary for the development of management skills capabilities.

41. Lastly, while the tax administrations of the aforementioned countries, like in all other cases of tax administrations, concentrate efforts in achieving the established objectives, they, in addition, are regarded as constituting, in all cases, a natural consulting and counselling centers for all units charged with determining economic policy and particulary fiscal policy and tax legislation changes. This high ranking recognition of the role of tax administration augurs well for the entire harmonization of fiscal policy with the goals of the economic development plan.

Section III: The Experiences of Selected African Countries in the Organisation and Management of an Income Tax Office

42. While, in general, the tax administrations of African countries pursue common objectives similar to those pursued by other tax administrations the world-over, their organisational structures derive their origin from colonial legacy. Though as mentioned earlier, the African Tax Administrations have evolved over time since Independence, the evolution tended not to have a correspondingly adequate and appropriate reorganisation of their structures presumably for two reasons. Firstly, the evolution has been more often on an *ad hoc* basis and, therefore, haphazard being set into motion by influences external to the Tax Administrations themselves: secondly, the limited participatory role of the tax administrations in decision-making processes in determining the economic policy and, in particular, the fisical policy and tax legislation changes. In other words, there is a general lack of the importance attached to the role of tax

administrations as consulting and counseling centers for all units charged with formulating economic policy and particularly the fiscal policy as is the case with the tax administrations of most of the advanced countries. Below is presented the experiences of some African countries in the organisation and management of an Income Tax Office. The presentations are based on the information obtained from answers to the questionaires which were prepared for the purpose of this study.

Ethiopia

43. The Tax Administration in Ethiopia is under the Inland Revenue Administration, which, itself, is responsible to the Ministry of Finance. The Ministry of Finance, as the Ministry responsible for the Inland Revenue Administration, is in charge of the overall supervision of the proper implementation of the tax laws governing the Income Tax and other taxes as well as regulating the proper assessment, collection and the recording of those taxes. It is also responsible for the allocation of administrative budget and the placement of key personnel. The Inland Revenue Administration is headed by the "Head", Inland Revenue Administration, with two Deputy "Heads" one in operations and the other in planning systems and management. The Secretariat of the Head, Inland Revenue Administration consists of the internal audit unit, the public relations unit and the secretaries. The Deputy Head, Operations, is in charge of assessment division, collection division and the legal services division. These divisions are under his subordinates who are also known as "heads". There are three (3) heads for assessment division, three (3) heads for collection division and three (3) heads for legal services division. Also directly under the Deputy Head Operations are the South Western City Branch and the North Eastern City Branch which are also at the divisional level. The assessment division has, under it, the audit section, the inspection section, data collection and compilation section, the personal income tax section and the revenue stamp section. The collection division consists of the accounts verification and control section, revenue accounts section, clearance section, archives section and two branches known as the Kera branch and the Airport branch respectively. The legal services division consists of courts section, appeal section and the messengers' section. The tax office, therefore, has its own legal services.

44. The Deputy Head Planning, systems and management is in charge of two divisions known as the Planning and Systems Division and the Administration Division. The Planning and systems Division has under it, Tax Assessment and Collection Study Section, Chief Legal Advisor office, statistics section and manpower development section. The Administration Division has under it, the personnel section, accounts and budget section, the general affairs section and the archives section. No significant changes have taken place in the organisational structure of the Inland Revenue Administration in the past three (3) years. The organisational structure of the Inland Revenue Administration is a functional-type organisation, with all the divisions, sections and

units established to perform particular functions though it is the considered opinion of the Inland Revenue Administration that, for purposes of management, the organisational chart does not reveal the many types of relationships, communications and other major functions. For example the chart does not reflect certain functions including international tax treaties, investigation, intelligence, computer services (which have just started) and non-resident taxes.

Lesotho

45. The Income Tax Administration in Lesotho is under the Income Tax Department which is responsible to the Ministry of Finance. The Ministry of Finance formulates policies within which Income Tax Department operates. It also supplies the necessary funds and materials required in the normal functioning of the department. The Income Tax Department is headed by the Commissioner of Taxes who has immediately below him the Deputy Commissioner of Taxes. The functions of the Commissioner of taxes include the formulation of departmental policies, all staff matters including training, supervision and control of assessments on companies, traders and professionals, overall control of inspections, assessors and clerical staff in the employment assessment section and supervises daily collections.

46. The Deputy Commissioner assists the Commissioner in the routine administration of Income Tax and also acts on his behalf during his (commissioner's) absence. There is the assistant commissioner who is in charge of direct assessment section and has, below him, the senior inspection I and senior inspections II. The employment section directly under the Deputy Commissioner is headed by the principal inspector who has, as his subordinates, senior inspector I, senior inspectors II, inspectors and tax officers. The collection section is headed by the collector who is responsible to the Deputy Commissioner and of course, ultimately to the commissioner. The collection work is divided into the assessed tax collection and the pay-as-you-earn collection. The former is headed by the senior inspector whose subordinates include the inspectors and the tax officers. The latter is also headed by senior inspector whose subordinates, are the senior inspectors I, senior inspectors II and tax officers. Also directly under the collector is the cashier. The registry which also is under the Deputy Commissioner is headed by the registry supervisor and below him are registry clerks, drivers, switchboard operator and office assistants. The secretariat of the Commissioner consists of the personnel officer and the secretary, while that of the Deputy Commissioner consists of short-hand typists and copy typists.

47. The organisation of the Income Tax Department in Lesotho, is a functional-type organisation. For example, in addition to the functions of the Commissioner and his deputy mentioned above, the inspectorate grades in each section are assigned specific functions. For example, under the assistant commissioner's office, with his two subordinates

inspector I and inspector II, the specific functions are the assessment of income tax on corporate bodies, sole traders and professionals and planning and undertaking of investigation. In the office of the collector with his subordinates, namely senior inspector I, senior inspector II, inspectors, tax officers and tax clerks, the specific functions are the responsibility for overseeing the pay-as-you-earn (PAYE), recording all assessments, receiving payments, reconciliation of bank statements, follow-up on tax arrears and making remmittances to the Accountant-General. In the office of the Principal Inspector, employment section, with his subordinates, namely, senior inspector II, inspectors, tax officers and tax clerks, the specific functions are the responsibility for assessing all employed persons, reviewing by way of final assessment, of all taxes charged under PAYE and planning and undertaking investigation on Paye cases.

Mauritius

48. The Income Tax Administration in Mauritius is under the Income Tax Department. The ministry responsible for the income Tax Department is the Ministry of Finance. This ministry is responsible for the formulation of the overall fiscal policy and ensures that the policy is implemented by the Income Tax Department. It also supervises the activities of the department and takes such measures as are necessary to improve its effectiveness and to maximize revenue collection. The Income Tax Department is headed by the Commissioner with two Deputy Commissioners. Directly under the Commissioner's control are the Administration and Finance. Under the administration hierachy, there are two units one headed by the senior executive officer below him the executive officer, clerical officer, and the typing secretariat and telephone services. The other unit is headed by the establishment officer below him the executive officer and clerical officer. The Finance section is headed by the finance officer below him the assistant finance officer and clerical officer.

49. The Deputy Commissioners each heads one major division with different major sections headed by the assistant commissioners. Under the direct control of one Deputy Commissioner, there is the operations section headed by the Chief Inspector. The section consists of collection ledgers unit and the computer unit. These units are headed by senior inspector (2) below them inspectors (2) and below which are executive officer and clerical office (10) (collection ledgers unit) and one assistant finance officer and clerical officers (17). There are also two units at the level of the collection ledgers and the computer units. These are "Leaving Country and Work Permit" unit and the Death Graduity unit. The former is headed by senior inspectors (2) below them the inspections (2) and clerical officers (7). The latter is headed by the inspector and below him the clerical officers. In the other divisions, directly under the Deputy Commissioner, there is a special office of the confidential assistant.

50. Below the Deputy Commissioner level, there are the assistant commissioners each heading in one division, the enforcement section, the company section and the societe, succession and others unit respectively, and in the other division assistant commissioners heading the trade and vacation section (2) one heading the remuneration section. At the same level of the enforcement section, the company section and the societe, succession and others section, is the planters section which is directly under the deputy commissioner and is headed by the chief inspector (2) and below that senior inspector (2) inspector (1) and the executive officer (1), clerical office (1) and typist. At the same level of the trade and vacation and remuniration sections, and directly under the Deputy Commissioner, are the investigation section and the information section. The investigation section is headed by senior investigating officer and below him the chief inspectors (2), senior inspectors (7) and inspectors (4) and then the clerical officers and the typing secretariat. The information section is headed by senior inspector below him the executive officer, clerical officers and the typing secretariat.

51. Below the assistant commissioner in the collection section, is the senior inspector (1), inspectors (3), usher (1) and clerical officers (16). The company section is headed by chief inspector (2) and below that senior inspectors (3), clerical officers (2) and typists. The societe, succession and others section is headed by senior inspectors (2) and below there are inspectors (5); clerical officers (4) and typists. There is also the inspection and audit section headed by the commissioner and below him the deputy commissioner and assistant commissioner and below that there is the staff of the section which is divided into teams averaging four (4) officers in each team. The team head reports to an assistant commissioner. The inspection and audit section is mainly divided into the investigation and information and the collection.

52. The organisational structure of the Income Tax Department in Mauritius is a functional-type structure with duties and functions clearly assigned to each organisational unit. For example, the office of the commissioner and his deputies deals with - manpower development - staff training - legislation and legal matters - international tax treaties - planning and research - revenue estimates - instruction manuals - publications and other tax matters. The officer of the establishment officer and his subordinates deal with the recruitment of clerical staff and personnel and staff welfare. The office of the chief inspector of taxes assessing and his subordinates deal with the assessment of taxpayers and also carries out studies in different sectors of business, e.g. manufacturing, trading etc. The office of the investigating officer and his subordinates carry out investigations and reports on suspected evasion of taxes, carries out intelligent work and advises the commissioner on backduty cases and on prosecution matters, generally. The office of the chief inspector (collection) and his subordinates handles the collection work as well as the non-resident taxes; and lastly, the office of chief inspector (operations) deals with computerisation, withholding taxes and accounts.

53. It is interesting to note that this restructuring of the Income Tax Department by functions was introduced quite recently, around July, 1989. Before that, the departments' organisation was categorized by type of taxpayers, for example, corporation, self-employed etc. In the present structure, no distinction is made between the categories of taxpayers. Taxpayer files are, therefore, distributed to officers of the section for inspection and audit irrespective of the categories. Incidentally, since the change, the emphasis in the inspection and audit section is on assessments which are under dispute, given that there is a substantial backlog of such assessments still outstanding. It should be noted that the change only affected the inspection and audit section of the department and the others (i.e., collection, investigation etc.) have not been affected by the change.

Tanzania

54. The Administration of Income Tax in Tanzania is under the Income Tax Department. The Ministry responsible for the Income Tax Department is the Ministry of Finance. The Ministry's major functions relating to the Income Tax Office include, the formulation of tax policy - Initiating Tax Reforms - Monitoring Revenue Collections - Supplying of Expenditure Votes, Control and General Supervision in the Assessments, Collection and Recovery and the Collection Accounts. The department is headed by the Commissioner and below him are four (4) assistant commissioners. There are also Regional offices which are headed by Regional Principal Assessors. These Regional offices deal mostly with the extended functions of the corporate taxation office, non-corporate taxation section and the collection and compliance section, in a decentralized form. There are twenty-one (21) regional offices in all. The four (4) assistant commissioners each heads the corporate taxation section, non-corporate taxation section, collection and compliance section and the audit and investigation section. The assistant commissioner in the corporate taxation section with his subordinates is responsible for assessment of corporate entities and non-resident taxes. The assistant commissioner in the non-corporate taxation section with his subordinates is responsible for tax assessments of non corporate persons, legislation and legal matters, international tax treaties and other tax matters. The assistant commissioner audit and investigation sections with his subordinates handles the internal audit, investigation, intelligence and inspection. The assistant commissioner collection and compliance with his subordinates deals with revenue estimates, collection, computerization, withholding taxes and accounts. Under the audit and investigation section there are six (6) investigation bureau offices.

55. The management and manpower development is the responsibility of the principal assessor with his subordinates. The main functions involved include; staff recruitment - manpower development - staff training - personnel and staff welfare - planning and research -

financial matters (expenditure) - instruction manuals and publication. The Ministry of Justice is responsible for the legal services of the department. All cases for litigations are referred by the commissioner to the attorney - general in the Ministry of Justice.

56. It should be noted that the complete organisational chart of the department goes down to the lowest ranks, but the presentation only highlights the upper hierachy as the information available allows.

Zimbabwe

57. The administration of taxes in Zimbabwe is under the department of taxes. The Ministry responsible for the department is the Ministry of finance, Economic Planning and Development. The Ministry has the overall responsibility for formulating fiscal policy. It also serves as the Head office of the department. The department is headed by the commissioner of taxes in charge of both the direct and the indirect taxes. Below him are deputy commissioners and assistant commissioners, one deputy commissioner I is in charge of direct taxation. His subordinates consist of the assistant commissioner, (investigation), principal executive officer (audit), senior investigation officer and investigation officers. The main functions involved include legislation, international tax treaties, investigation, revenue estimate and auditing. One deputy commissioner II is also in charge of direct taxation but with different duties and subordinates. His subordinates consist of assistant commissioner (Direct Taxation) assistant commissioner (Bulawayo) (7) senior inspectors (Heads of Assessment Offices), (2) senior inspectors of taxes and (1) inspector of taxes.

58. The main functions involve tax assessments, inspections, planning and research and publications. One Deputy Commissioner III (indirect taxation) whose subordinates consist of assistant commissioner (indirect taxation), Principal Executive officer, senior inspector (chief training officer), inspectors (trainees) and principal examiner (trainee). The main functions involved include: staff recruitment, manpower development, staff training and personnel and staff welfare. Finally, one deputy commissioner IV (indirect taxation), whose subordinates consist of assistant commissioner (indirect taxes), chief finance officer, collectors of taxes, senior principal tax examiner and chief tax examiner. The main functions involved include; collection, budgeting, computerisation, instruction manuals and sales tax administration.

59. The Zimbabwe tax administration is decentralized with seven (7) income tax offices, eight (8) collection offices and four (4) sales tax offices in four (4) major cities of the country. The legal service office is not established within the tax administration. The Ministry of Justice, Parliamentary Affairs is responsible for the legal services of the department. But otherwise, the staff do their own research and even initiate prosecution and brief advocates on appeals because of lack of established legal office to render legal services within the tax administration.

Some Salient Features of Organizational Structures of Tax Administrations in the Selected African Countries

60. Attempt is now made to examine the salient features of the organisational structures of the tax administrations in the selected African countries and to identify their shortcomings as compared to the features of the organisational life of the tax administrations of the above mentioned advanced countries; and also to identify the possible constraints that may inhibit the effectiveness of the organisational structures of the tax administrations in the selected African countries. The most prominant feature that is notable in the organisational structure of the tax administrations in African countries is the conspicious lack of autonomy. In all cases, the tax offices are directly responsible to the Ministries of Finance. These ministries appparently have the overall power not only to formulate fiscal policy and tax legislation but also to determine the direction which the offices should follow in the routine administration of taxes. For example in Lesotho, the ministry, apart from other functions relating to income tax office, formulates policies to enable the income tax office to operate smoothly. However, for argument's sake, this feature is not exclusively inherent to the African tax administrations, as, for example, a similar feature prevails in some advanced tax administrations (Canada) where the tax policy is managed by the department of finance, while the department of national revenue administers tax laws passed by parliament in answer to initiatives of the minister of finance. Nevertheless, it is commonest in the African tax administrations.

61. The other feature is that while, in most cases, the organisational structure is a functional-type organisation, these structures do not fully accommodate all the functions of the tax office. For example, in Ethiopia the following functions are carried out by the Inland Revenue Administration but are not covered in the organisational chart; International tax treaties, investigation, intelligence, computerization and non-resident taxes. The other feature observed is that the organisational structures tend to be 'top-heavy'; that is, too many positions at the management and directorate levels, yet under the on-line system of management, the people who actually do the spate work are those in the lower ranks of the administrative hierachy. The danger in this approach is that the jobs may be overfragmented even to a 'skeleton' status in an attempt to distribute work to all the top managers. Naturally, this is against the principle of streamlining the organisation for increased efficiency. At times, the many high positions are justified in the name of 'decentralization' or 'expanding the functional scope' of the department in order to achieve its objectives. But, still there should be thorough job-evaluation to assess the tasks involved in each function.

62. Further, it is observed that the legal services or systems are not developed within the tax offices, themselves, and that where they exist, they are far from adequate. For example in Zimbabwe, the Ministry of Justice, Parliamentary Affairs is responsible for the legal services of the tax department. Though at times, the staff do their own legal research and initiate prosecutions and brief advocates on appeals, that would appear to be dictacted by the pressure of work and in no way constituting an established legal system within the department to render qualitative legal support. Another observation is that, the computer systems are not well developed. In some countries (Ethiopia) it has just started and yet in others it is at advanced experimental stage with attendant problems of lack of qualified staff to man the system productively. As a result, data processing services are not adequate. In Mauritius, a program of computerization of all the operations of the department is presently under consideration, and will hopefully be implemented in (1990).

63. Another feature observed is that the infrastructure available is not properly suited for the administration of taxes. The structure of the offices used is usually incompatible with the nature of services rendered by the offices. So that the administration operates in buildings not constructed for the purpose. Further observed is that with regard to personnel management function, the place for training activities is obscure, except in some countries (Zimbabwe, Mauritius) where there is a chief training officer at senior inspector level and internal departmental courses training programme are developed. But, generally, there does not seem to be clear indication whether the training activities are carried out by the offices located within the tax offices or done outside the tax office. This obscurity tends to suggest a somehow lack of the importance attached to training as the most significant element in human development, and in particular in developing the management skills capabilities of tax officials to enable them cope with the complex task, in the administration of taxes.

64. The observations on the aforementioned features, may, therefore, lead to making general conclusions that the features of the organisational structures of tax administrations of African countries tend to negate those of the tax administrations of the advanced countries and consequently point to a direction conducive to lesser productivity and efficiency; and hence their major shortcomings. As the situation that obtains in the tax administrations of advanced countries, by way of comparison, is just the opposite of what obtains in African tax administrations, perhaps the reversal of the features of the organisation of the African tax administrations could be a "cure-all". However, since lessons from experience show that there is no 'cure-all' in any reform measures, there is, therefore, a need to study and review the organisation and management of the tax offices of African countries.

The Constraints

65. The constraints that contribute to the weaknesses of the features of the organisational structures and management of the income tax offices in African countries may be broadly categorized into institutional setting, infrastructures or material resources, human resources, financial resources and legislative requirements.

66. Under the institutional category, the experience of some countries (Ethiopia) is that the administration lacks institutional independence as it is locked upon as a department in the Ministry of Finance. This lack of independence in administration and management has caused practical constraints. In the case of Mauritius, while the income tax law provides penalities including imprisonment for not complying with the provision thereof, in practice, it is extremely difficult, if not impossible, to take action against each and every non-compliant taxpayer since the legal process is too time-consuming and prosecutions are conducted before the district courts which also hear other cases, so that, processing mass prosecutions becomes impracticable. Consequently, the deterrent effect to dissuade taxpayers from evading income tax is quasi-non-existent. In Zimbabwe, the bureaucratic chain is considered too long and thus not readily responsive to changes. Apart from lack of independence generally, as was mentioned earlier, the tax administrations in African countries often do not have buildings of their own preference and suited for their purpose. In addition, the very unsuitable buildings are not even adequate enough to allow for reorganisation and expansion. So that there is always a shortage of office space. In the case of the infrastructure or material resources category, generally, there is a shortage of office equipment necessary to run the office. In some cases, the scarcity of the materials could be so grave that things like typewriters, desk calculators, dupplication and photo-copy machines, filing cabinets, and furniture could not be available at all. Without these basic facilities, the operations of the office break down.

67. As regards the human resources category, the experience of some countries (Ethiopia) is that the salary scale currently in application is a disincentive for both attracting and maintaining competent personnel. The salary scale situation is caused by budgetary constraints. Zimbabwe shares similar experience where the Income Tax Department is now regarded as a 'training ground' for the private sector (i.e. firms of accountants). The reason being that the salaries are much lower that those offered by the private sector. So that, there is a constant exodus of staff members who are not only qualified but have also acquired enormous experience. In some countries (Mauritius), the experience is that, while the training program for the staff members is generally satisfactory, there is a lack of knowhow in the field of planning and research and hence the limitation in the organisation to provide for well developed planning and research sections/units.

68. Under the financial resources category, the commonest problem is the budgetary constraint which inevitably flows from the stringent budgetary policy in the Ministry of Finance dictacted by the general critical economic situation continent-wise, which affects the public purse. The financial limitations restrict recruitment and the general expansionary dimension of the tax offices. Finally, as regards legislative requirements, in some countries (Mauritius), the income tax law imposes a time limit of four years to make an assessment upon a taxpayer. This causes a great strain on the limited resources of the department entailing very often a 'management by crisis' approach.

Section IV: Conclusions and Suggestions for Improvement

69. The observation on some of the features of the organisational structures of the income tax offices in selected African countries, the weaknesses of those features and the constraints that have the worsening effects on the weaknesses of the features are a clear evidence of the dire need to intensively review and reorganize the structures in order to eradicate the aforementioned inherent weak features. Constant reviewing of the organisational structures can add knowledge of organisation in more than one way, namely; by drawing attention to previously unstudied phenomena and by providing new and better understanding of the organisation for improved administration of the Income Tax office. Likewise, constant review of management in tax administration can provide managers with a conceptual framework for analyzing the factors affecting their human resources so that they may better understand how to manage them. Personnel management is a natural function in every organisation, and it is certainly important in tax administration, especially as regards the training activity. Management ought to be based on the premise that more must be done to develop and utilize the talent and real expertise that exist within the tax administration. Manpower management includes all those activities concerned with the planning, staffing, development, motivation and the utilization of the people. Manpower planning enables the management to ensure that it has the right numbers and kinds of people, in the right places, at the right time and doing things for which they are economically most useful.

70. In the wake of the growing need to mobilize domestic financial resources for development, particularly, in developing African countries, and considering that taxation constitutes the major source of government income, greater attention, therefore, requires to be continually focussed upon administrative efficiency of the tax office for increased tax revenue collection. Since organisation is one of the key instruments for improving the efficiency of the tax office, it stands to reason, therefore, that relentless efforts ought to be continually exerted towards its reviewing and reorganisation to pave the path for effective modern management of the income tax office. Taxes are now being used more than ever before (i.e., pre-independence period), to ensure the structure and operation of public services and the accelerated

development of public investment strategies in order to meet the rapidly growing socio-economic challenges. All this points to the demand for improved ability of the tax administrations in top management level to anticipate future organisational structures and to determine the qualifications of the persons to fill them. The management should be able to vividly describe the posts and working places as well as the detailed administrative structure plans as these are the tools of a personnel management. There is a need for the management to master the instruments of personnel planning which include the manpower requirements, manpower allocations, personnel training and manpower utilization. The plan for these instruments should be construed as the plan for the implementation of the complete range of functions.

71. At this juncture, therefore, it is appropriate to consider some possible measures that can be adopted by the African Tax Administrations to improve their organisational structures and management. The measures suggested, however, need not be the solutions in all cases, since the problems of the tax administrations vary from country to country depending inter alia on the size of the country, the tax-paying population, the magnitude of the socio-economic activities and the art of government. Moreover, the possible suggestions being considered below are by no means exhaustive for the purpose of bringing about improvements in the organisation and management of income tax offices of African countries.

72. Since the essential occupation of an income tax office is to deal with or handle taxpayers of various categories, thorough knowledge of all those categories of taxpayers is of significant importance. It is essential for the office to have the ability to locate all the people who are required by the tax law to file income tax returns. In ordinary practice, this is achieved by preparing a taxpayer list, commonly known as a taxpayer roll compiled into a 'Master File'. Once this file has been opened, it becomes necessary to develop techniques to up-date it (i.e., how to gather more new names and discard names no longer needed. These techniques can best be developed on the basis of availability of adequate taxpayer information system. Indeed, the information system is a fundamental support element for discharging the essential functions of the office. It also serves as a guide for decision-making through the essential administrative levels. The establishment of taxpayer information system implies the existence of a Data Base.

73. However, as was observed earlier, most African tax administrations lack well developed information systems and that the data base, where it existed, was not within the tax administration but independently controlled by agencies outside which agencies also provide back-up information to other government ministries and departments. In this connection, therefore, it is suggested that the African tax administrations should strive to gain more control of the data base to enable them to develop comprehensive taxpayer information systems

whose place and functions should be clearly defined in their organisational structures. Taxpayer information systems developed within the tax administrations, with the information provided being acurately analysed, evaluated and put into appropriate use, is naturally bound to yield better results in improving the efficiency of the tax administration. Greater control of the computer system should be within the tax administration.

74. Since the tax administrations administer the tax laws which impose obligations on taxpayers, as well as providing their entitlements thereunder, there is, therefore, implicit legal taxpayer - tax office relationships. The legal functional aspect of the tax administration constitutes one of the essential support elements of the administration. The correct application of the tax law therefore, is essential to minimize taxpayer disputes or grievances and hence to provide a climate conducive to good taxpayer - tax office relationship as well as the development of taxpayer confidence in the tax office. In this connection, it is suggested that legal systems be established within the tax administrations in African countries to provide proper legal advisory services in the various areas where questions of law arise. The legal structures should not be fragmented as between the tax office on the hand and the Ministry of Justice on the other. But rather, there should be established, within the tax office, specialized legal offices or divisions to handle all legal matters including presentations at the competent courts. The place and functions of the legal office should then be clearly defined in the organisational structure of the office. Special emphasis should be laid on the specialized nature of the tax laws requiring specialized legal expertise.

75. One of the fundamental functions of the tax administration is to maximize collection and to minimize costs. But in some African tax administrations this function is partly fulfilled due to the usual prevailence of top-heavy organisational structures with resultant enormous operational costs in the form of remuneration and other side payments to the top management. In this connection, it is suggested that the organisational structures should be streamlined so as to more appropriately distribute the functions to the technical operational levels to ensure better productivity and increased collection at lesser operational costs. In addition, that can also ensure that the skills and abilities of the appropriately trained staff members were fully and effectively used by the tax office. In this way, better productivity measure to help reduce labor costs can be achieved.

76. One of the most essential inputs which an organisation uses to achieve its objectives is labour or the human factor. However, the human inputs, like the other inputs including the financial resources, material resources and other support service inputs, require planning. So that, human resources planning is part of the organisation's total resource planning. The human resource planning determines the future manpower requirements and action plans to meet those requirements.

Manpower planning often interacts with organisation planning and development. For example, it may measure the impact of planned organisational changes (i.e., consolidation of functions, decentralisation or recentralizations) changes in operating systems etc. So that ultimately all changes will affect or be affected by the human resources plans. In this connection, it is suggested that African tax administrations establish better planning processes to be able to track manpower movements within the administrations. Also the quality of decision-making managers should be improved to include the ability to anticipate future organisational structures and determine the calibre of the persons needed to suit the anticipated structure and all qualified candidates should be considered for anticipated openings.

77. On the crucial issue of manpower management, it is the duty of every person in management to influence the human resources assigned to him to ensure their effectiveness. The influence entails planning and implementation of training activities and the optimum utilization of the human resources. The training profile should take cognisance of the fact that there is a general shortage of high-talent manpower and that to produce one is a long-term process. It is, therefore, important to forecast training needs in order to assess what talents are required, for what types of jobs and when; and above all, how to retain the trained personnel in the organisation. In this connection, it is suggested that the tax organisations in African countries should, like-wise, develop comprehensive manpower plans for specific types and levels of the staff members categorized into administrative, technical, professional and other knowledge compartments. The top officials in management should be equipped with modalities for analyzing the factors affecting their human resources so that they can better understand how to manage them. High-potential and immediately promotable staff members for whom no promotions are forecast can be identified and plans developed for their utilization. This can ensure that staff members who do their job well are recognised in the office; and thus, in turn, promote motivation.

78. The environment within which any tax administration operates, has a major bearing on its successes and failures. If the infrastructural environment is poor, naturally, poor operational results will ensure, with the administration operating below its would-be average capacity. As was observed earlier, one of the major constraints in the administration of taxes in some African countries is not only the inadequate availability of office accommodation but also the unsuitability or the incompatibility of the office building structures with the services rendered by the tax administrations. In this connection, it is suggested that adequate office accommodation should be made available. Where office accommodation is available but the structure of the buildings is not suitable for the discharge of the functions of the tax office, it is suggested that the tax office should engage consultancy services for the purpose of restructuring the existing

buildings for better conformity with the responsibilities of the office. Where the restructuring is not possible, it is suggested that the higher authorities in charge of the national budgets should give greater attention to the provision of funds to finance the construction of new office buildings most appropriate for the tax administration to render better and more efficient services in order to increase tax revenue collection. The newly conviniently built offices can also provide the scope for future reorganisation of the tax office for improved administration of taxes.

Annexes

1(a) The Organisational Chart of the Inland Revenue Administration - Ethiopia.

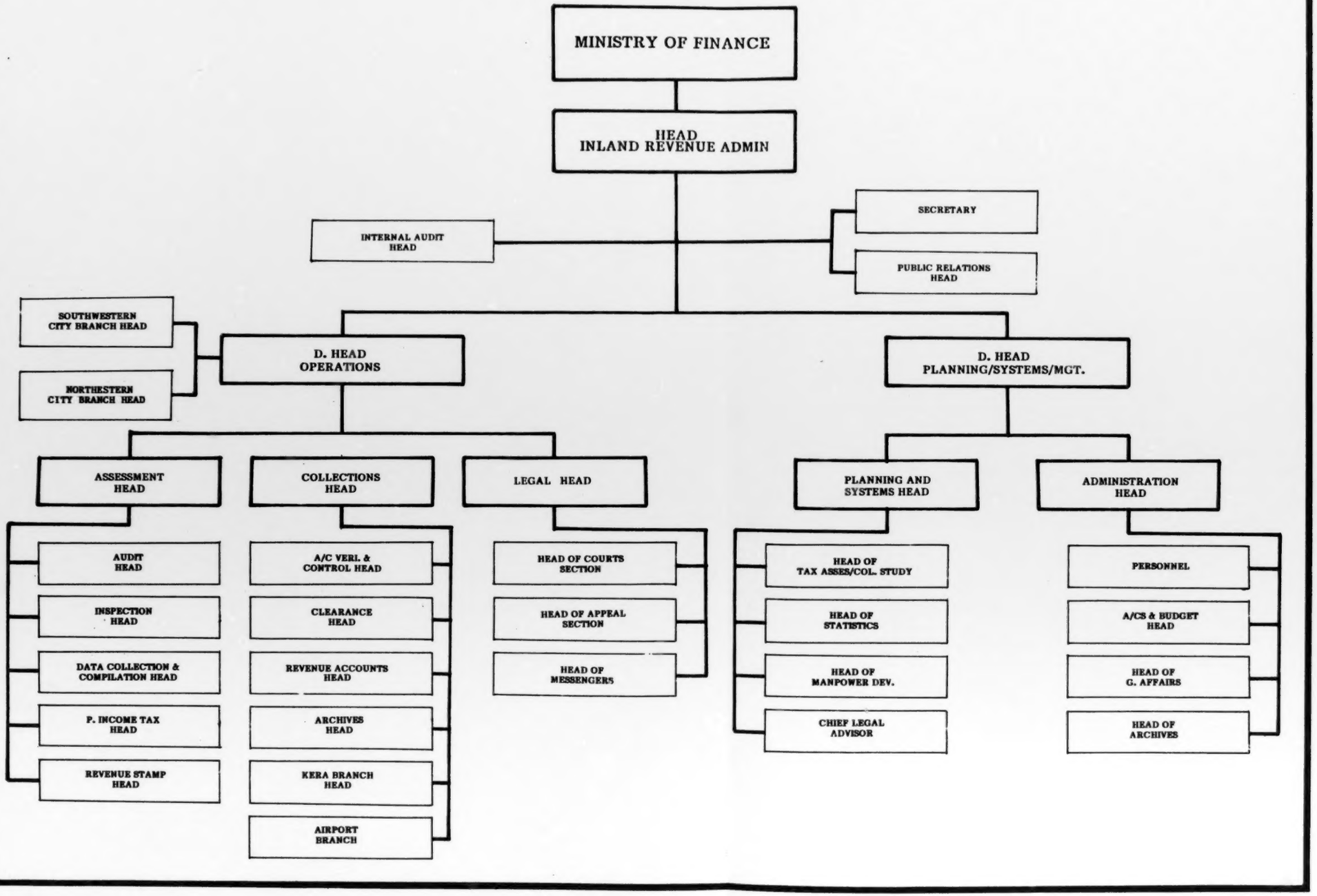
(b) The Organisational Chart of the Income Tax Department of Lesotho.

(c) The Organisational Chart of the Income Tax Department of Mauritius.

(d) The organisational Chart of Income Tax Department of Tanzania.

(e) The Organisational Chart of the Income Tax Department of Zimbabwe.

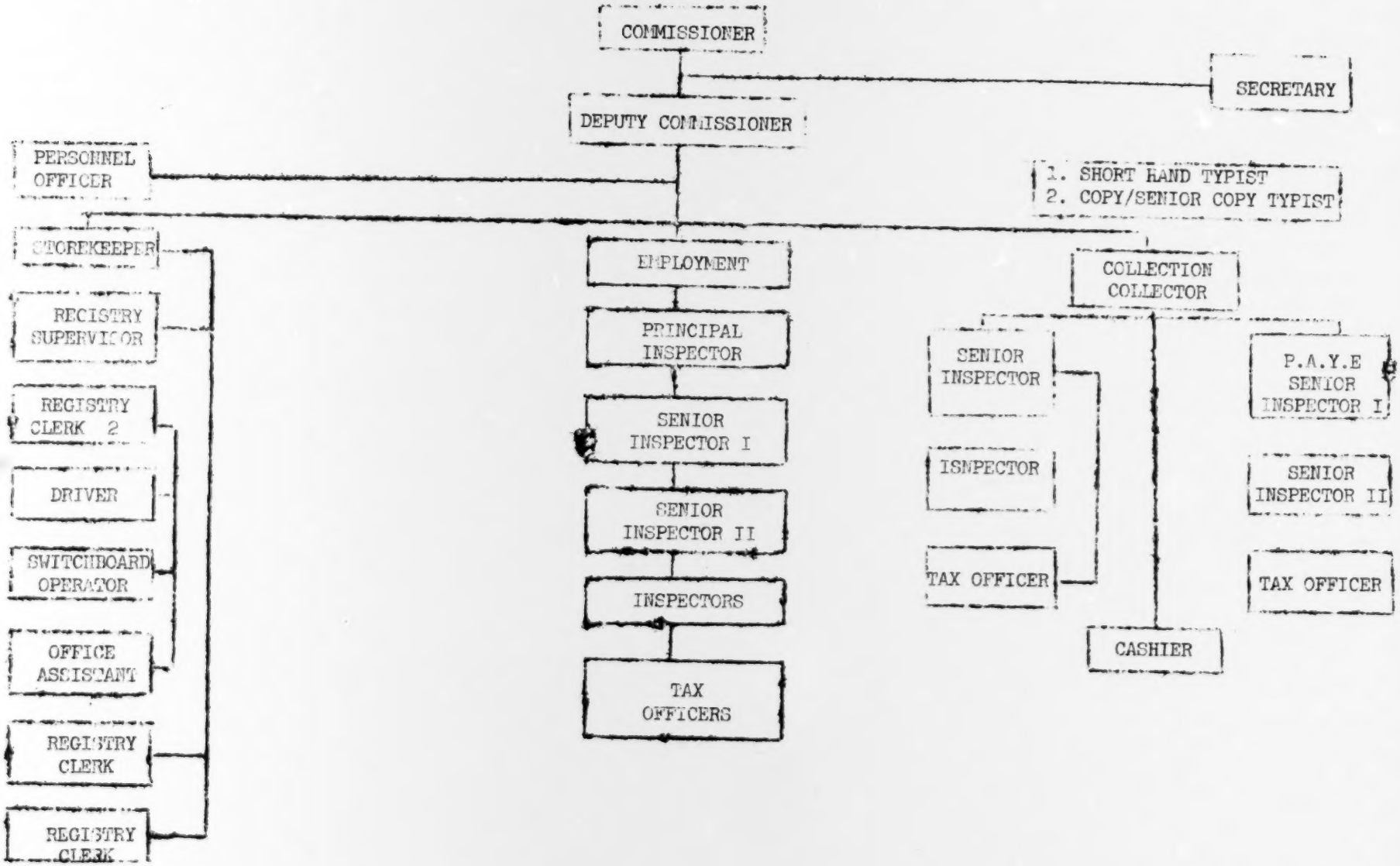
INLAND REVENUE ADMINISTRATION ORGANISATION CHART



(b) LESOTHO

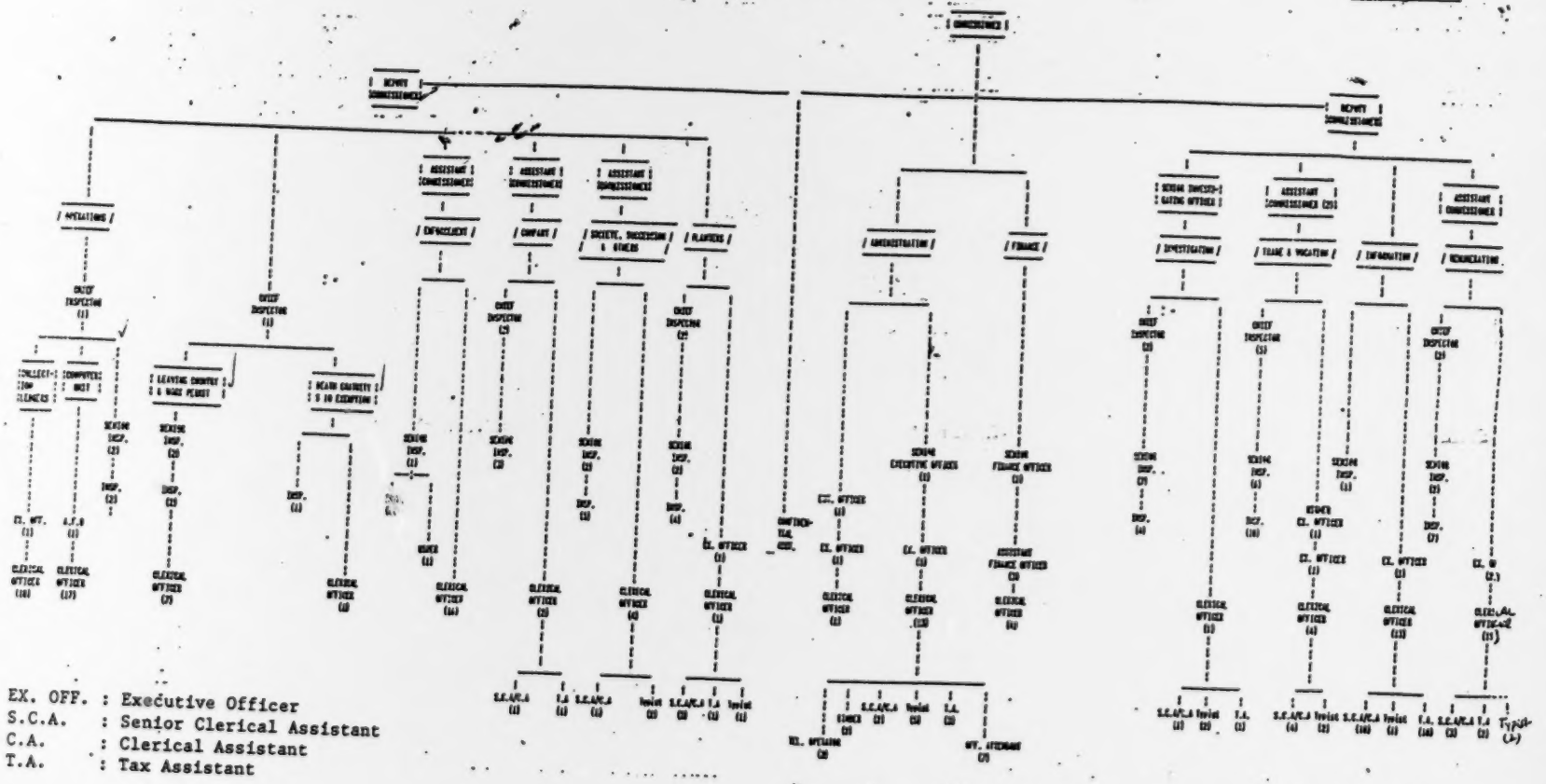
INCOME TAX DEPARTMENT

PROPOSED ORGANISATION STRUCTURE



MAURITIUS INCOME TAX DEPARTMENT
Previous Organisation Chart

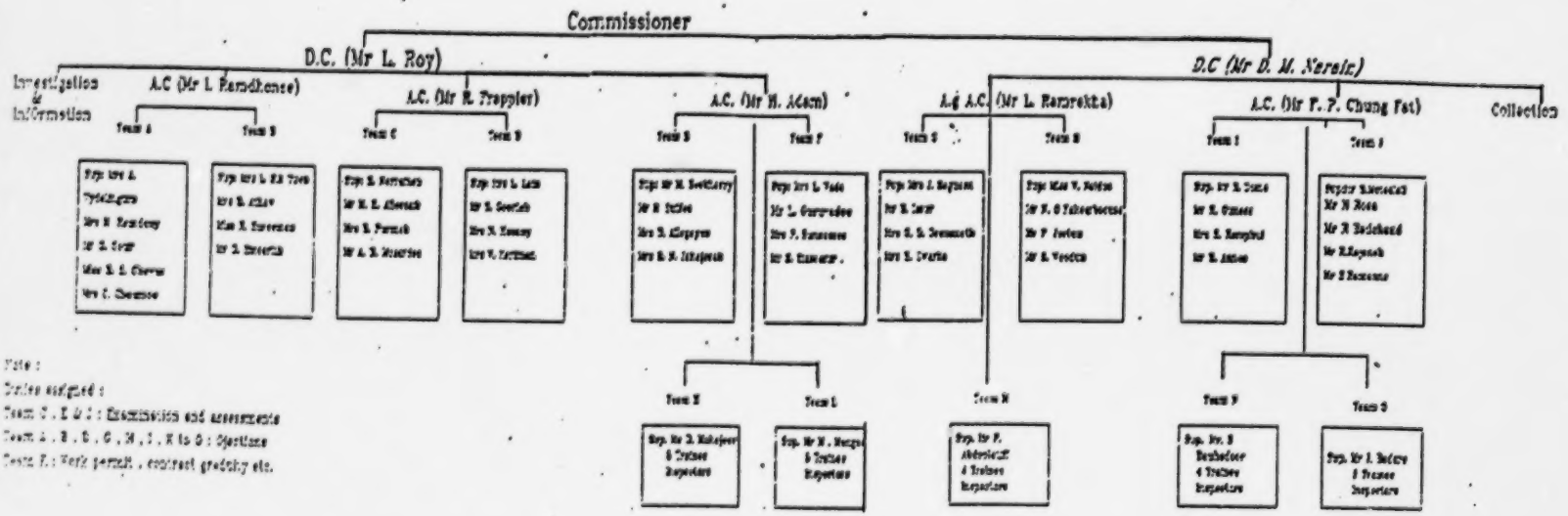
Annexure II



EX. OFF. : Executive Officer
S.C.A. : Senior Clerical Assistant
C.A. : Clerical Assistant
T.A. : Tax Assistant

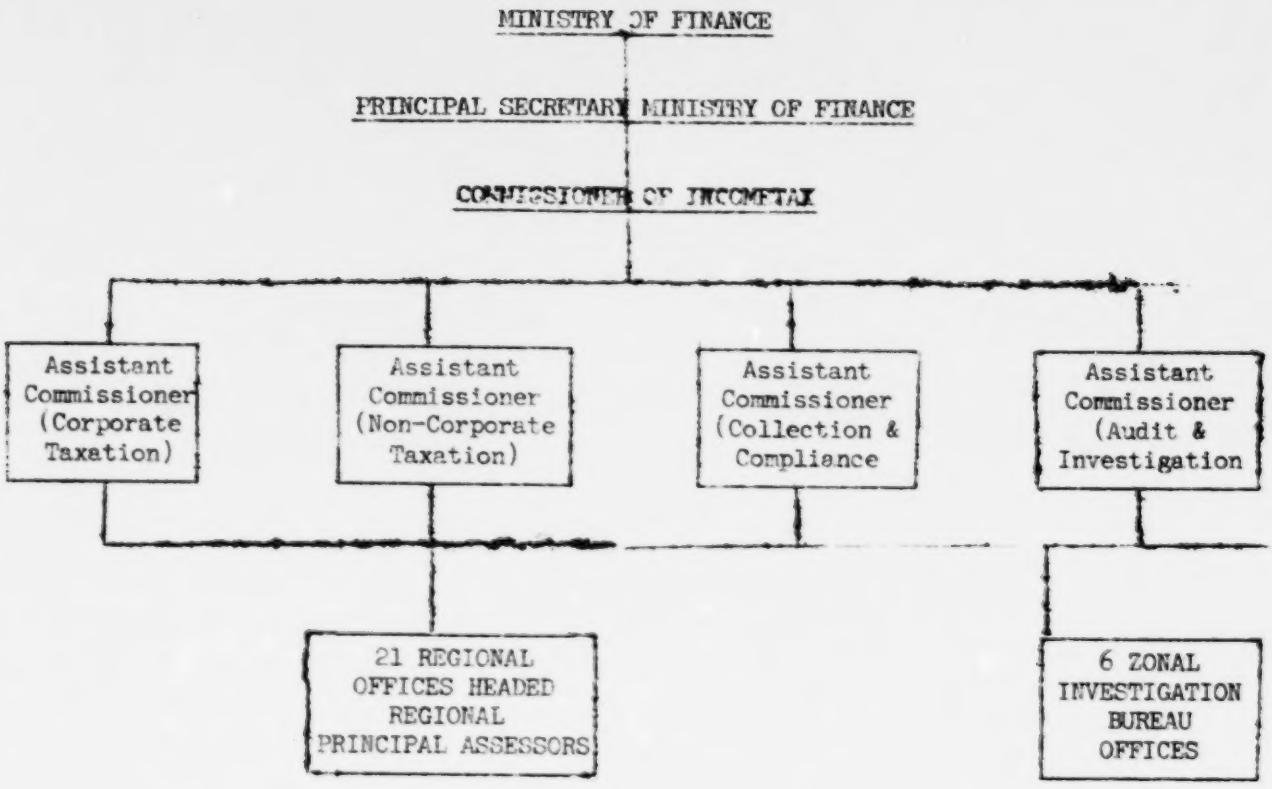
MAURITIUS INCOME TAX DEPARTMENT
Inspection & Audit

Annexure III

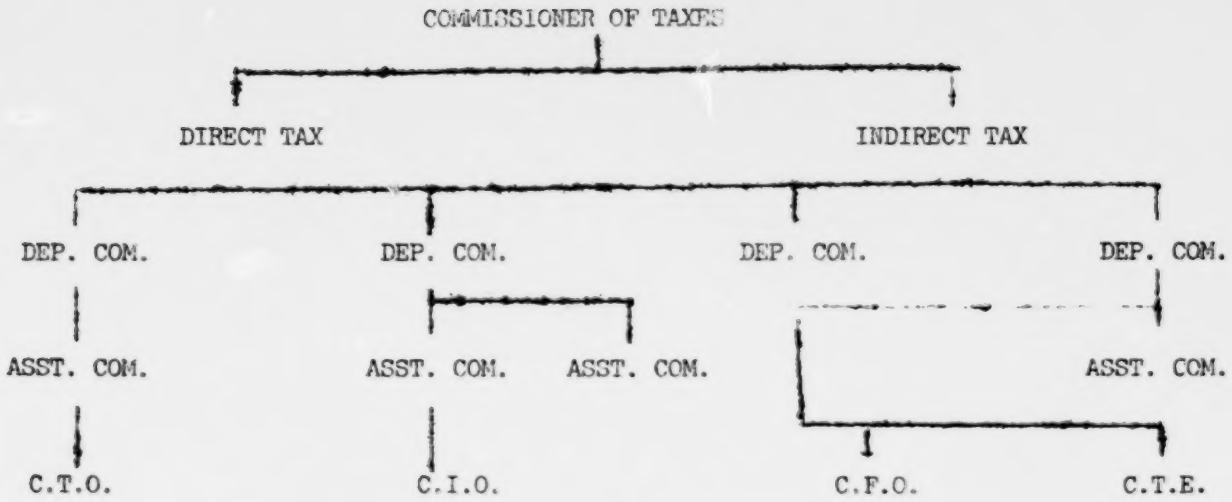


Note :
Duties assigned :
Team C , I & J : Examination and assessments
Team A , B , E , G , H , I , K to O : Objections
Team F : Work permit , contract gratuity etc.

(d) TANZANIA


MINISTRY OF FINANCE
PRINCIPAL SECRETARY MINISTRY OF FINANCE
COMMISSIONER OF INCOMETAX
Assistant Commissioner (Corporate Taxation)
Assistant Commissioner (Non-Corporate Taxation)
Assistant Commissioner (Collection & Compliance
Assistant Commissioner (Audit & Investigation
21 REGIONAL OFFICES HEADED REGIONAL PRINCIPAL ASSESSORS
6 ZONAL INVESTIGATION BUREAU OFFICES

(e) ZIMBABWE



Key:- C.T.O. - Chief Trining Officer

C.I.O. - Chief Investigation Officer

C.F.O. - Chief Finance Officer

C.T.E. - Chief Tax Examiner